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County commissioners learn of $1 million-plus budget deficit for 2007

Audit firm sets shortfall at $2.2M; CPA says combined losses $1.6M

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Sullivan County has a deficit for fiscal 2007, but the exact amount varies between $1.6 million and $2.5 million depending on who is doing the math.

Newport

During a special meeting of the Sullivan County Commissioners Tuesday night, a draft report from the Manchester-based audit firm Melanson & Heath set the overall shortfall for the county at $2.2 million.

But Jeff Graham, a certified public accountant contracted by the county, said the combined losses for the year are less than $1.6 million. On the other end of the spectrum is commissioner Jeff Barrette who said he thinks the deficit is $2.5 million.

"We've got a problem that's got to be resolved," commissioner Ethel Jarvis said.

During more than two hours of discussion the only item everyone could agree upon was that the deficit would need to be paid.

"One way or the other, the taxpayers are going to pay the bill," Barrette said.

County manager Ed Gil de Rubio said the reason for the deficit was because the projected census at Sullivan County HealthCare was down considerably.

According to Graham, the nursing home had a deficit of $2.2 million during fiscal 2007.

Barrette suggested the deficit should be paid by using tax money.

"I personally don't think it's unreasonable to ask the taxpayers of Sullivan County to foot part of the bill for the nursing home," Barrette said.

Much of the discussion during the evening centered around encumbrances, or items and services that have been committed to by the county but do not have an invoice from a vendor or service provider.

According to Graham, the county rolled over $1.2 million of encumbrances from fiscal year 2006 into fiscal year 2007 without enough money to cover the costs without borrowing.

Those encumbrances, combined with a revenue shortfall of $1.4 million, were too much to be offset by a governmental surplus of $641,000 and year-end audit adjustments of $434,000, according to Graham.

Graham suggested that the borrowing of $2.5 million that has already occurred to cover the fund deficits can be resolved by either converting the loan to a 10-year note with annual principal and interest payments, implementing a special assessment of about 12 percent to the county taxpayers or by using a combination of both.

The commissioner have not made a decision how they will handle the shortfall.

"We have not even gotten together to make a decision about what we're going to do," Jarvis said.

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A management letter from Melanson & Heath addressed to the commissioners made several suggestions to avoid a budget crunch in the future.

"We recommend the county formally monitor revenues and expenditures compared to the budget on a monthly basis," the letter states.

"If unfavorable trends are identified, they should be addressed and corrective action should be taken immediately."

The firm also suggests the county clarify the nursing home budget which it states is the primary cause of expenditures exceeding appropriations.

Graham suggested in a letter that the county should advertise for an experienced financial director who would be the chief financial officer for the county directing the county finances.

"This position would work to lessen and eliminate the deficit at the nursing home and to continue to strengthen the reporting, controls, budget process, solving of accounting questions and overall fiscal responsibility of the county," Graham wrote.

The commission plans to meet with the audit firm to finalize the audit and make plans to deal with the budget shortfall at its next meeting.

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